Norcros plc Interim report 2010

Dedicated to making where you live and places you visit better

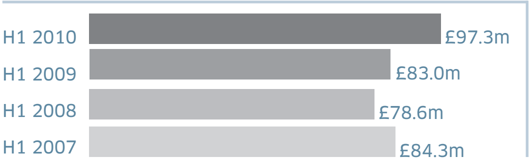
Corporate statement

Norcros supplies high quality and innovative showers, ceramic wall and floor tiles and related products. We have three complementary UK businesses: Triton Showers, Johnson Tiles and Norcros Adhesives as well as significant operations in South Africa and interests in Australia and Greece.

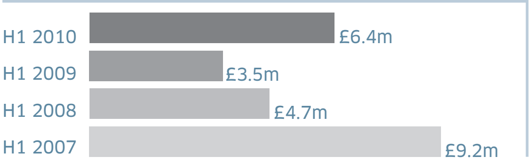
Our businesses have a long, successful track record of serving consumers, architects, designers, retailers and wholesalers. Our emphasis is on innovation, quality and service combined with a strong understanding of our customers' needs. We invest significantly and continuously in our people and processes. We are a substantial group with consistent, high quality standards and considerable resources. We aim to use our strong brands, our innovative products and our leading market positions to drive investment returns and shareholder value.

Highlights

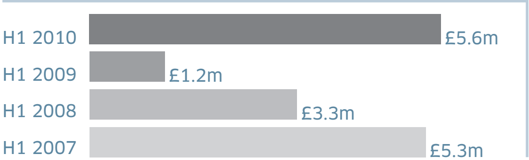
Revenue £97.3m



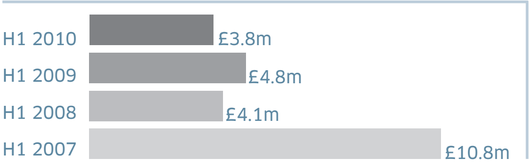
Trading profit £6.4m



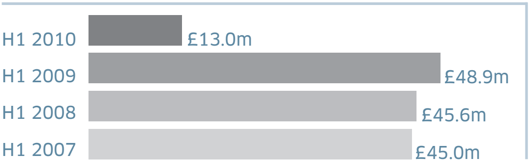
Benchmark profit before taxation £5.6m



Cash generated from operations £3.8m



Net debt (before prepaid finance costs) £13.0m



Corporate review

Corporate accounts

Chairman's statement

John Brown Chairman

The Group has delivered a resilient trading performance in the first half and this is reflected in the Board declaring a return to the dividend list.

Summary

- **Like-for like[1] revenue at constant currency increased by 6.8%**
- **Trading profit of £6.4m is 82.9% ahead of last year**
- **Benchmark PBT[2] increased by 367% to £5.6m**
- **Group is well placed to benefit further from any upturn in economic activity when it arrives.**

The Board is pleased to announce a strong set of results for the six months ended 30 September 2010. The significant improvement in the Group's performance compared to last year is particularly encouraging given the continuing tough trading conditions and the uncertain economic environment.

The results reflect the benefit of management decisions taken over the last two years to invest significantly in new product development, to pursue a more focused sales and marketing strategy and to improve the efficiency of our operating cost base. The aim of this strategy was to outperform our competitors and gain market share.

These self-help measures and our low net debt level, following the successful capital raising and the continued focus on cash generation, mean that the Group is in a strong financial position and well placed to benefit further from any upturn in economic activity when it arrives.

Results

The period under review consisted of 27 weeks compared to 26 weeks last year.

Group revenue increased by 17.2% to £97.3m (2009: £83.0m). On a comparable like-for-like[1] basis (adjusted for the number of weeks), Sterling revenues were 12.9% higher. Constant currency revenues on a like-for-like[1] basis were 6.8% higher, principally reflecting the relative strength of the South African Rand and the Australian Dollar to Sterling.

Group trading profits were 82.9% higher at £6.4m (2009: £3.5m) with margins improving to 6.6% (2009: 4.2%). Group operating profit was £9.1m (2009: £1.1m) reflecting the improved trading performance and an exceptional gain of £2.7m following the sale of the 25.5% interest in RJ Beaumont & Co Pty Limited ("Beaumont"), a trade investment in Australia, in June 2010.

Group benchmark profit before taxation[2] was £5.6m (2009: £1.2m), reflecting the substantial improvement

[1] Like-for-like revenues are adjusted for the current interim period covering 27 weeks compared to 26 weeks last year.

[2] Group benchmark profit before taxation is defined as profit before taxation, exceptional items, amortisation of costs of raising finance, movement on fair value of derivative financial instruments, discounting of property leases provisions, finance costs relating to pension schemes and the Group's share of post-tax results from its associate undertakings.

[3] Benchmark earnings per share are defined as Group benchmark profit before taxation less attributable taxation, divided by the weighted average number of shares for basic earnings per share as calculated in note 5 of the interim results.

in trading performance in addition to the significant reduction in bank finance costs, as a result of the reduction in debt following the capital raising of £27.7m (net of fees) in December 2009, and the £4.4m proceeds from the Beaumont disposal.

Group profit before taxation was £6.8m (2009: loss of £4.2m).

Basic benchmark earnings per share[3] were 0.9p (2009: 0.8p).

Financial

Cash generated from operations in the period was £3.8m (2009: £4.8m) with the reduction largely reflecting the effect of increased revenues on working capital. Investment in capital expenditure was £2.0m (2009: £2.1m). Net debt before prepaid finance costs at 30 September 2010 reduced to £13.0m from £18.9m at 31 March 2010.

The position of our UK defined benefit pension scheme as calculated under IAS 19 has been updated and shows an increase in the deficit from £9.3m at 31 March 2010 to a deficit of £25.3m at 30 September 2010. The reduction in the estimated funding position at 30 September 2010 principally reflects the fall in the applicable discount rate from 5.7% to 5.1%, partly offset by an increase in the market value of the scheme's assets at the same date.

Dividend

The Board recently announced its intention to restore a progressive dividend policy. As a result of the Group's strong financial position and the encouraging trading performance in the first half, the Board is declaring an interim dividend of 0.12p per share. The dividend is payable on 7 January 2011 to shareholders on the register on 10 December 2010. The shares will be quoted ex-dividend on 8 December 2010.

Operating review

Further details of the financial performance and market conditions in each of the Group's businesses are set out in the following pages.

UK

For the six months ended 30 September 2010 total revenues in the UK businesses increased by 10.7% from £49.7m to £55.0m. Like-for-like[1] revenues were 6.4% higher. Trading profits at £5.9m were in line with the comparable period last year and were ahead of the £5.7m recorded in the second half of last year.

Triton Showers, our market-leading domestic shower operation, delivered a strong trading performance, excellent cash generation and increased its overall share of the domestic shower market, further strengthening its leading position in the electric shower segment and continuing to gain share in the mixer segments.

The shower market started to recover in the first quarter of the calendar year. It is estimated to be currently growing at an annualised rate of approximately 4%, with the electric segment growing faster than the mixer segment reflecting the stronger replacement element within the electric sector.

Triton's revenue was 13.2% higher, with like-for-like[1] revenue growth of 9.1%. On a like-for-like[1] basis, UK revenues were 9.8% higher and exports were ahead by 5.3% despite very difficult economic conditions in Ireland, our biggest export market.

Trading profits and margins were resilient, albeit marginally lower than last year due to changes in revenue mix, increased freight costs, higher input costs driven by the weaker Sterling and an increase in sales and marketing investment. An ongoing programme of cost reduction initiatives is in place to enhance margin performance.

Johnson Tiles, the market-leading UK tile manufacturer, performed well in both its domestic and export markets. It is estimated that the UK tile market declined by approximately 5% in the period with all sectors experiencing some contraction. However, our strategy of investing in innovative ink jet printing technology, applying market sector focus, driving manufacturing improvement and pursuing vigorous cost cutting programmes has meant that the business has outperformed the market.

Johnson Tiles revenue for the six months ended 30 September 2010 was 7.5% higher, equating to a like-for-like[1] revenue increase of 3.3%. UK revenues exceeded prior year by 2.9% on a like-for-like[1] basis with trade growth marginally ahead of that obtained in the DIY multiple channel.

Export revenues (14.5% of total revenue) were 5.9% higher than prior year on a like-for-like[1] basis principally driven by growth in France, Eastern Europe and North America, partially offset by lower sales to the Middle East.

Chairman's statement continued

Management continues to focus on implementing its strategy to drive market share gains in our UK businesses and realise the benefits of the operational improvements implemented in our South African retail and tile operations.

Trading profit

£6.4m

+82.9%

H1 2009: £3.5m

Operating review continued

UK continued

The business reported higher trading profits in the first six months as a result of increased revenue, a higher value added product mix, and improved manufacturing productivity, coupled with tight cost control.

As a result of a UK competitor going into administration, our business has targeted and secured additional orders in both the DIY multiples and social housing sectors. To support this growth, and the continued success of the inkjet product ranges, investment is to be made in an additional kiln and further inkjet capacity. The new facility is expected to be operational from early in the next financial year.

Our UK adhesive business performed strongly in the first half of the year with overall revenues and trading profits ahead of the prior year. Growth was achieved by new account wins in the trade and retail segments, the success of new product introductions and by securing a number of commercial projects in the Middle East.

Following the successful move to own-manufacture of powder based adhesive products the decision has been made to invest in a ready-mix adhesive manufacturing facility on the existing site which will be completed early in 2011. There are also plans to expand the product portfolio into other related areas to generate additional scale and offer the benefits of a one stop shop.

South Africa

Our business in South Africa continues to operate in a tough market environment. Building plans passed were 13.1% lower for the period January 2010 to July 2010 compared with the prior year and building completions were 22.3% lower over the same period. However, in the last few months there have been some positive indications in renovation and residential plans passed. In addition, there has been some recovery in GDP with growth of 4.6% in Q1 and 3.2% in Q2.

On a constant currency basis, the overall revenue of our South African business increased by 11.0% to £37.3m in the six months ended 30 September 2010. Like-for-like[1] constant currency revenue was 7.1% ahead. Reported revenues increased by 26.4%, reflecting the extra trading week and the translation benefit of the strong South African Rand. A trading profit of £0.5m was achieved compared to a trading loss of £2.4m in the comparable period. This substantial turnaround reflected significantly reduced losses at both our retail operation, Tile Africa (TAF), and our tile manufacturing business, Johnson Tiles, combined with increased profits at TAL, our adhesive operation.

Revenues at TAF increased by 10.0% on a constant currency basis and by 6.1% on a like-for-like[1] basis. This performance was largely driven by significantly higher like-for-like retail revenues (+15.0%) and improvements in the product offering, partly offset by the impact of store closures in the prior year. These changes, combined with tight overhead control and improved margins, delivered a considerable turnaround in trading performance with only a small trading loss reported compared to a substantial trading loss in 2009.

Upgrades were undertaken in three stores, with a further two scheduled for the second half. We expect to resume the store rollout programme, provided economic conditions allow.

Johnson Tiles South Africa, our tiles manufacturing business, grew revenues by 6.9% on a constant currency basis and by 3.4% on a like-for-like[1] basis. As a result of this improved throughput, tight cost control and a more stable and efficient manufacturing performance, the trading loss was substantially reduced. Revenue initiatives include a targeted plan to increase sales to the independent merchant market via deployment of a dedicated sales team, and a drive to generate export growth from contiguous markets. The significant progress made in the first half encourages us to believe we can re-establish the manufacturing operation on a profitable basis.

TAL, our adhesives operation, increased revenues by 15.6% on a constant currency basis and by 11.7% on a like-for-like[1] basis, with strong growth experienced in tile adhesives, building products and general adhesives.

Trading profits were significantly higher reflecting increased revenues and higher margins due to improved procurement, lower cost formulations and higher value added product mix. We are seeking further growth opportunities for this market-leading business by widening the product range in building products and improving the focus of the general adhesives operation.

Rest of the World

Our Australian operation, Johnson Tiles, performed strongly over the period despite difficult market conditions, particularly in the new build sector. On a constant currency basis overall revenues were 13.6% ahead and on a like-for-like[1] basis grew by 9.1%. Sterling revenues increased by 31.6% and by 26.3% on a like-for like[1] basis. The business has benefited from regional warehouse facilities in New South Wales and Queensland, which has led to improvements in customer service and a better balanced inventory of core products. The business is operating at a small trading profit and further progress is anticipated from planned new product initiatives and driving the existing infrastructure harder.

Outlook

The Group has delivered a resilient trading performance in the first half and this is reflected in the Board declaring a return to the dividend list.

The UK outlook for consumer spending and construction activity remains uncertain and the substantial decline in public sector investment is likely to impact activity levels. In South Africa, the economy and consumer product markets are forecast to show relatively slow levels of recovery.

Against this background, we remain appropriately cautious about the prospects for the rest of the year. Nevertheless, management continues to focus on implementing its strategy to drive market share gains in our UK businesses and realise the benefits of the operational improvements implemented in our South African retail and tile operations.

As a result of these opportunities and its strong financial position, the Group is well placed to make further progress.

J. E. Brown
Chairman
18 November 2010

Condensed consolidated income statement
Six months ended 30 September 2010

	Notes	Six months ended 30 September 2010 (unaudited) £m	Six months ended 30 September 2009 (unaudited) £m	Year ended 31 March 2010 (audited) £m
Continuing operations				
Revenue		97.3	83.0	169.6
Operating profit/(loss)		9.1	1.1	(0.8)
Trading profit*		6.4	3.5	7.3
Exceptional operating items	3	2.7	(2.5)	(8.2)
Other operating income		—	0.1	0.1
Operating profit/(loss)		9.1	1.1	(0.8)
Finance costs	6	(2.1)	(3.7)	(5.9)
Finance income	6	—	0.2	0.6
IAS 19 finance costs		(0.2)	(0.6)	(1.1)
Share of post-tax loss of associates		—	(1.2)	(2.8)
Profit/(loss) before taxation		6.8	(4.2)	(10.0)
Taxation		(0.2)	—	—
Profit/(loss) for the period		6.6	(4.2)	(10.0)
Earnings/(loss) per share attributable to the owners of the Company				
Basic earnings/(loss) per share	5	1.1p	(2.8)p	(3.4)p
Diluted earnings/(loss) per share	5	1.1p	(2.8)p	(3.4)p
Weighted average number of shares for basic earnings per share (millions)		577.0	150.5	291.9
Non-GAAP measures:				
Benchmark profit before taxation** (£m)	4	5.6	1.2	3.4
Basic benchmark earnings per share	5	0.9p	0.8p	1.2p
Diluted benchmark earnings per share	5	0.9p	0.8p	1.2p

* Trading profit is defined as operating profit before exceptional operating items and other operating income.

** Benchmark profit before taxation is defined as profit before exceptional items, amortisation of costs of raising finance, movement on fair value of derivative financial instruments, discounting of property lease provisions, finance costs relating to pension schemes and the Group's share of post-tax results from its associate undertakings.

Condensed consolidated statement of comprehensive income

Six months ended 30 September 2010

	Six months ended 30 September 2010 (unaudited) £m	Six months ended 30 September 2009 (unaudited) £m	Year ended 31 March 2010 (audited) £m
Profit/(loss) for the period	6.6	(4.2)	(10.0)
Other comprehensive income:			
Actuarial losses on retirement benefit obligations	(11.8)	(7.3)	(5.6)
Foreign currency translation adjustments	0.5	5.3	8.8
Other comprehensive (expense)/income for the period	(11.3)	(2.0)	3.2
Total comprehensive expense for the period	(4.7)	(6.2)	(6.8)

Items in the statement are disclosed net of tax.

Condensed consolidated balance sheet
At 30 September 2010

	Notes	At 30 September 2010 (unaudited) £m	At 30 September 2009 (unaudited) £m	At 31 March 2010 (audited) £m
Non-current assets				
Goodwill		23.9	23.5	23.8
Investment in associates		—	1.0	—
Financial assets		—	4.3	—
Trade investments		—	1.7	1.7
Property, plant and equipment		46.6	47.3	47.0
Investment properties		5.5	5.6	5.5
Deferred tax assets		7.1	—	2.6
		83.1	83.4	80.6
Current assets				
Inventories		43.7	36.6	37.4
Trade and other receivables		36.8	35.4	38.7
Derivative financial instruments		—	0.4	0.6
Pension scheme asset	10	1.2	0.6	1.2
Cash and cash equivalents		4.0	3.7	3.9
		85.7	76.7	81.8
Current liabilities				
Trade and other liabilities		(44.8)	(38.6)	(41.7)
Derivative financial instruments		(1.9)	(1.2)	(2.2)
Current tax liabilities		(0.9)	(0.7)	(0.6)
Financial liabilities – borrowings	7	(3.0)	(2.4)	(2.8)
		(50.6)	(42.9)	(47.3)
Net current assets		35.1	33.8	34.5
Total assets less current liabilities		118.2	117.2	115.1
Non-current liabilities				
Financial liabilities – borrowings	7	(11.6)	(46.6)	(17.0)
Pension scheme liability	10	(25.3)	(7.9)	(9.3)
Other non-current liabilities		(1.6)	(1.3)	(1.6)
Provisions		(13.1)	(17.3)	(16.0)
		(51.6)	(73.1)	(43.9)
Net assets		66.6	44.1	71.2
Financed by:				
Ordinary share capital	8	19.2	14.9	19.2
Share premium		86.8	63.4	86.8
Retained earnings and other reserves		(39.4)	(34.2)	(34.8)
Total equity		66.6	44.1	71.2

The notes on pages 11 to 19 form an integral part of this condensed consolidated interim financial information.

Condensed consolidated cash flow statement
Six months ended 30 September 2010

	Notes	Six months ended 30 September 2010 (unaudited) £m	Six months ended 30 September 2009 (unaudited) £m	Year ended 31 March 2010 (audited) £m
Cash generated from operations	9	3.8	4.8	10.6
Income taxes		—	0.1	0.1
Interest received		0.5	0.2	0.5
Interest paid		(0.8)	(2.1)	(3.6)
Net cash generated from operating activities		3.5	3.0	7.6
Cash flows from investing activities				
Dividends received from associates and trade investments		—	0.1	0.1
Disposal of trade investment		4.4	—	—
Purchase of property, plant and equipment		(2.0)	(2.1)	(3.9)
Net cash generated/(used in) from investing activities		2.4	(2.0)	(3.8)
Cash flows from financing activities				
Net proceeds from issue of ordinary share capital		—	—	27.7
Repayments of borrowings		(6.0)	(21.0)	(31.5)
Capitalised finance costs		—	—	(3.5)
Drawdown of new borrowings		—	16.5	—
Dividends paid to shareholders		—	—	—
Net cash used in financing activities		(6.0)	(4.5)	(7.3)
Net decrease in cash at bank and in hand and bank overdrafts		(0.1)	(3.5)	(3.5)
Cash at bank and in hand and bank overdrafts at beginning of the period		1.1	4.9	4.9
Exchange movements on cash and bank overdrafts		—	(0.1)	(0.3)
Cash at bank and in hand and bank overdrafts at end of the period		1.0	1.3	1.1

Condensed consolidated statement of changes in equity

Six months ended 30 September 2010 (unaudited)

	Ordinary share capital £m	Share premium £m	Translation reserve £m	Retained losses £m	Total £m
At 31 March 2010	19.2	86.8	9.7	(44.5)	71.2
Comprehensive income:					
Profit for the year	—	—	—	6.6	6.6
Other comprehensive income:					
Actuarial loss on retirement benefit obligations	—	—	—	(11.8)	(11.8)
Foreign currency translation adjustments	—	—	0.5	—	0.5
Total other comprehensive income/(expense)	—	—	0.5	(11.8)	(11.3)
Transactions with shareholders:					
Employee share option schemes	—	—	—	0.1	0.1
At 30 September 2010	19.2	86.8	10.2	(49.6)	66.6

Six months ended 30 September 2009 (unaudited)

	Ordinary share capital £m	Share premium £m	Translation reserve £m	Retained losses £m	Total £m
At 31 March 2009	14.9	63.4	0.9	(28.9)	50.3
Comprehensive income:					
Loss for the year	—	—	—	(4.2)	(4.2)
Other comprehensive income:					
Actuarial loss on retirement benefit obligations	—	—	—	(7.3)	(7.3)
Foreign currency translation adjustments	—	—	5.3	—	5.3
Total other comprehensive income/(expense)	—	—	5.3	(7.3)	(2.0)
At 30 September 2009	14.9	63.4	6.2	(40.4)	44.1

Year ended 31 March 2010 (audited)

	Ordinary share capital £m	Share premium £m	Translation reserve £m	Retained losses £m	Total £m
At 31 March 2009	14.9	63.4	0.9	(28.9)	50.3
Comprehensive income:					
Loss for the year	—	—	—	(10.0)	(10.0)
Other comprehensive income:					
Actuarial loss on retirement benefit obligations	—	—	—	(5.6)	(5.6)
Foreign currency translation adjustments	—	—	8.8	—	8.8
Total other comprehensive income/(expense)	—	—	8.8	(5.6)	3.2
Transactions with shareholders:					
Issue of new shares (net of transaction costs)	4.3	23.4	—	—	27.7
At 31 March 2010	19.2	86.8	9.7	(44.5)	71.2

Notes to the accounts
Six months ended 30 September 2010

1. Accounting policies
General information
The Company is a limited liability company incorporated and domiciled in the UK. The Company is listed on the London Stock Exchange. This condensed consolidated interim financial information was approved for issue on 18 November 2010. This condensed consolidated financial information does not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006.

This condensed consolidated interim financial information has been neither audited nor reviewed.

Basis of preparation
This condensed consolidated financial information for the six months ended 30 September 2010 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim financial reporting' as adopted by the European Union.

The condensed consolidated financial report should be read in conjunction with the Annual Report and Accounts for the year ended 31 March 2010, which has been prepared in accordance with IFRS as adopted by the European Union. The Annual Report and Accounts was approved by the Board on 22 June 2010 and delivered to the Registrar of Companies. The report of the auditors on the financial statements was unqualified.

The principal accounting policies applied in the preparation of this Interim Report are included in the financial report for the year ended 31 March 2010. These policies have been applied consistently to all periods presented, unless otherwise stated.

(a) New and amended standards adopted by the Group
The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 April 2010.

- IFRS 3 (revised), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31, 'Interests in joint ventures' are effective prospectively to business combinations for which the acquisition date is on or after 1 April 2010.

  The revised standard continues to apply the acquisition method to business combinations but with some significant changes compared with IFRS 3. For example, all payments to purchase a business are recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are expensed.

  As the Group has adopted IFRS 3 (revised), it is required to adopt IAS 27 (revised), 'Consolidated and separate financial statements', at the same time. IAS 27 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. There has been no impact of IAS 27 (revised) on the current period, as none of the non-controlling interests have a deficit balance. There have been no transactions whereby an interest in an entity is retained after the loss of control of that entity; there have been no transactions with non-controlling interests.

(b) Standards, amendments and interpretations to existing standards effective in 2010 but not relevant to the Group
- IFRIC 17, 'Distributions of non-cash assets to owners';
- IFRIC 18, 'Transfers of assets from customers'; and
- IFRS 1 (amendment).

Notes to the accounts continued
Six months ended 30 September 2010

1. Accounting policies continued
Basis of preparation continued

(c) The following new standards, new interpretations and amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 April 2010 and have not been early adopted:

- IFRS 9, 'Financial instruments';
- Revised IAS 24, 'Related party disclosures';
- 'Classification of rights issues' (amendment to IAS 32);
- 'Prepayments of a minimum funding requirement' (amendments to IFRIC 14); and
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'.

Accounting estimates and judgements
The preparation of condensed consolidated financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of income, expense, assets and liabilities. The significant estimates and judgements made by management were consistent with those applied to the consolidated financial statements for the year ended 31 March 2010.

2. Segmental reporting
The Group operates in three main geographical areas: UK, South Africa and Rest of the World. All inter-segment transactions are made on an arm's length basis. The chief operating decision maker assesses performance and allocates resources based on geography as each segment has similar economic characteristics, complementary products, distribution channels and regulatory environments.

		Six months ended 30 September 2010 (unaudited)			
	Notes	UK £m	South Africa £m	Rest of the World £m	Group £m
Revenue		55.0	37.3	5.0	97.3
Trading profit		5.9	0.5	—	6.4
Exceptional operating items		—	—	2.7	2.7
Operating profit		5.9	0.5	2.7	9.1
Finance costs					(2.1)
IAS 19 finance cost					(0.2)
Profit before taxation					6.8
Taxation					(0.2)
Profit from continuing operations					6.6
Net debt	9				(10.6)

2. Segmental reporting continued

	Notes	Six months ended 30 September 2009 (unaudited) UK £m	South Africa £m	Rest of the World £m	Group £m
Revenue		49.7	29.5	3.8	83.0
Trading profit/(loss)		5.9	(2.4)	—	3.5
Exceptional operating items		(0.1)	(2.4)	—	(2.5)
Other operating income		—	—	0.1	0.1
Operating profit/(loss)		5.8	(4.8)	0.1	1.1
Finance costs					(3.7)
Finance income					0.2
IAS 19 finance cost					(0.6)
Share of loss of associates					(1.2)
Loss before taxation					(4.2)
Taxation					—
Loss from continuing operations					(4.2)
Net debt	9				(45.3)

	Notes	Year ended 31 March 2010 (audited) UK £m	South Africa £m	Rest of the World £m	Group £m
Revenue		102.7	59.0	7.9	169.6
Trading profit/(loss)		11.6	(3.7)	(0.6)	7.3
Exceptional operating items		(0.1)	(2.4)	(5.7)	(8.2)
Other operating income		—	—	0.1	0.1
Operating profit/(loss)		11.5	(6.1)	(6.2)	(0.8)
Finance costs					(5.9)
Finance income					0.6
IAS 19 finance cost					(1.1)
Share of loss of associates					(2.8)
Loss before taxation					(10.0)
Taxation					—
Loss from continuing operations					(10.0)
Net debt	9				(15.9)

3. Exceptional items

Exceptional operating items

	Six months ended 30 September 2010 (unaudited) £m	Six months ended 30 September 2009 (unaudited) £m	Year ended 31 March 2010 (audited) £m
Impairment of associate's carrying value and related costs[1]	—	—	(5.7)
Restructuring costs[2]	—	(2.5)	(2.5)
Profit on disposal of investments[3]	2.7	—	—
	2.7	(2.5)	(8.2)

[1] The remaining carrying value of Philkeram Johnson (the Group's Greek associate) has been fully impaired together with associated costs including the mark to market value of the related cross currency swap.

[2] Restructuring costs relate to redundancies and asset write downs following the implementation of a programme of restructuring initiatives throughout the Group's business units.

[3] Sale of shares in R. J. Beaumont & Co. Pty Limited for £4.4m. The carrying value of the investment prior to the sale was £1.7m.

Notes to the accounts continued

Six months ended 30 September 2010

4. Non-GAAP measures

	Six months ended 30 September 2010 (unaudited) £m	Six months ended 30 September 2009 (unaudited) £m	Year ended 31 March 2010 (audited) £m
Profit/(loss) before taxation	6.8	(4.2)	(10.0)
Adjusted for:			
Exceptional operating items	(2.7)	2.5	8.2
Amortisation of costs of raising finance	0.6	0.2	0.8
Net movement on fair value of derivative financial instruments	0.4	0.6	(0.3)
Discount on property lease provisions	0.3	0.3	0.8
IAS19 finance costs	0.2	0.6	1.1
Share of post-tax loss of associates	—	1.2	2.8
Benchmark profit before taxation	5.6	1.2	3.4
Attributable taxation	(0.2)	—	—
Benchmark earnings	5.4	1.2	3.4

Benchmark profit before tax is defined as profit before taxation, exceptional items, amortisation of costs of raising finance, movement on fair value of derivative financial instruments, discounting of property lease provisions, finance costs relating to pension schemes and the Group's share of post-tax results from its associate undertakings.Benchmark earnings are defined as benchmark profit before taxation less attributable taxation. The directors believe that benchmark profit before taxation and benchmark earnings provide shareholders with additional useful information on the underlying performance of the Group.

5. Earnings per share

	Six months ended 30 September 2010 (unaudited) £m	Six months ended 30 September 2009 (unaudited) £m	Year ended 31 March 2010 (audited) £m
Earnings/(loss) for the period	6.6	(4.2)	(10.0)
Benchmark earnings for the period	5.4	1.2	3.4

	Six months ended 30 September 2010 (unaudited) Number	Six months ended 30 September 2009 (unaudited) Number	Year ended 31 March 2010 (audited) Number
Weighted average number of shares for basic earnings per share	577,025,912	150,495,492	291,893,248
Exercise of share options and warrants	—	—	—
Weighted average number of shares for diluted earnings per share	577,025,912	150,495,492	291,893,248

5. Earnings per share continued

	Six months ended 30 September 2010 (unaudited)	Six months ended 30 September 2009 (unaudited)	Year ended 31 March 2010 (audited)
Basic earnings/(loss) per share	1.1p	(2.8)p	(3.4)p
Diluted earnings/(loss) per share	1.1p	(2.8)p	(3.4)p
Basic benchmark earnings per share	0.9p	0.8p	1.2p
Diluted benchmark earnings per share	0.9p	0.8p	1.2p

6. Finance income and costs

	Six months ended 30 September 2010 (unaudited) £m	Six months ended 30 September 2009 (unaudited) £m	Year ended 31 March 2010 (audited) £m
Finance costs			
Interest payable on bank borrowings	0.8	2.6	4.3
Amortisation of costs of raising debt finance	0.6	0.2	0.8
Movement on fair value of derivative financial instruments	0.4	0.6	—
Discount on property lease provisions	0.3	0.3	0.8
Total finance costs	2.1	3.7	5.9
Finance income			
Bank interest receivable	—	(0.2)	(0.3)
Movement on fair value of derivative financial instruments	—	—	(0.3)
Total finance income	—	(0.2)	(0.6)
Finance costs – net	2.1	3.5	5.3

7. Borrowings

	At 30 September 2010 (unaudited) £m	At 30 September 2009 (unaudited) £m	At 31 March 2010 (audited) £m
Non-current			
Bank borrowings (secured):			
– bank loans	14.0	50.2	20.0
– less: costs of raising finance	(2.4)	(3.6)	(3.0)
Total non-current	11.6	46.6	17.0
Current			
Bank borrowings (secured):			
– bank overdrafts	3.0	2.4	2.8
Total borrowings	14.6	49.0	19.8

The fair value of bank loans equals their carrying amount, as they bear interest at floating rates.

Notes to the accounts continued
Six months ended 30 September 2010

7. Borrowings continued
The repayment terms of borrowings are as follows:

	At 30 September 2010 (unaudited) £m	At 30 September 2009 (unaudited) £m	At 31 March 2010 (audited) £m
Not later than one year	3.0	2.4	2.8
After more than one year:			
– later than two years and not later than five years	14.0	50.2	20.0
– costs of raising finance	(2.4)	(3.6)	(3.0)
	11.6	46.6	17.0
Total borrowings	14.6	49.0	19.8

Bank borrowings are secured by the Group's UK assets.

8. Ordinary called up share capital

	At 30 September 2010 (unaudited) £m	At 30 September 2009 (unaudited) £m	At 31 March 2010 (audited) £m
Issued and fully paid			
577,326,112 ordinary shares of 1p each	5.8	—	5.8
148,754,684 deferred shares of 9p each	13.4	—	13.4
148,717,884 ordinary shares of 10p each	—	14.9	—
	19.2	14.9	19.2

9. Consolidated cash flow statements
(a) Cash generated from operations

	Six months ended 30 September 2010 (unaudited) £m	Six months ended 30 September 2009 (unaudited) £m	Year ended 31 March 2010 (audited) £m
Profit/(loss) before taxation	6.8	(4.2)	(10.0)
Adjustments for:			
– exceptional items included in the above	(2.7)	2.5	8.2
– cash flows from exceptional items	(3.3)	(2.3)	(4.4)
– other operating income	—	(0.1)	(0.1)
– depreciation	3.2	3.3	6.7
– difference between pension charge and contributions	(0.4)	—	(0.5)
– finance costs	2.1	3.7	5.9
– finance income	—	(0.2)	(0.6)
– IAS 19 finance cost	0.2	0.6	1.1
– share of post-tax loss of associates	—	1.2	2.8
– share-based payments	0.1	—	—
– exchange differences	—	—	(0.4)
Operating cash flows before movements in working capital	6.0	4.5	8.7
Changes in working capital:			
– (increase/)decrease in inventories	(6.1)	2.9	3.9
– decrease/(increase) in trade and other receivables	1.4	(2.6)	(5.0)
– increase in payables	2.5	—	3.0
Cash generated from operations	3.8	4.8	10.6

9. Consolidated cash flow statements continued

(b) Outflow from exceptional items

This includes expenditure charged to exceptional provisions relating to business rationalisation and restructuring including severance and other employee costs.

(c) Analysis of net debt

	Cash £m	Debt £m	Total £m
At 1 April 2009	4.9	(50.7)	(45.8)
Cash flow	(3.5)	31.5	28.0
Rolled up interest	—	(0.5)	(0.5)
Other non-cash movements	—	2.7	2.7
Exchange movement	(0.3)	—	(0.3)
At 31 March 2010	1.1	(17.0)	(15.9)
At 1 April 2009	4.9	(50.7)	(45.8)
Cash flow	(3.5)	4.5	1.0
Other non-cash movements	—	(0.4)	(0.4)
Exchange movement	(0.1)	—	(0.1)
At 30 September 2009	1.3	(46.6)	(45.3)
At 1 April 2010	1.1	(17.0)	(15.9)
Cash flow	(0.1)	6.0	5.9
Other non-cash movements	—	(0.6)	(0.6)
Exchange movement	—	—	—
At 30 September 2010	1.0	(11.6)	(10.6)

	Six months ended 30 September 2010 (unaudited) £m	Six months ended 30 September 2009 (unaudited) £m	Year ended 31 March 2010 (audited) £m
Cash and cash equivalents	4.0	3.7	3.9
Bank overdrafts classified as current liabilities	(3.0)	(2.4)	(2.8)
	1.0	1.3	1.1
Bank loans classified as non-current liabilities	(14.0)	(50.2)	(20.0)
Net debt before prepaid finance costs	(13.0)	(48.9)	(18.9)
Prepaid finance costs	2.4	3.6	3.0
Net debt	(10.6)	(45.3)	(15.9)

Notes to the accounts continued
Six months ended 30 September 2010

10. Retirement benefit obligations
(a) Pension costs
Norcros Security Plan

The Norcros Security Plan, the principal UK pension scheme of Norcros plc subsidiaries, is funded by a separate trust fund. It is predominantly a defined benefit scheme, with a modest element of defined contribution benefits. Norcros plc itself has no employees and so has no liabilities in respect of these pension schemes.

The valuation used for IAS 19 disclosures has been produced by Mercer Human Resource Consulting, a firm of qualified actuaries, to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at 30 September 2010. Scheme assets are stated at their market value at 30 September 2010.

The actuarial valuation at 31 March 2009 has recently been concluded and resulted in a deficit of £36.1m. As a result a twelve-year recovery plan has been agreed between the Group and the trustee of the fund whereby the Group makes additional contributions to the scheme of £1.0m in each of the two years ending 31 March 2011 and 31 March 2012 followed by seven further additional contributions of £1.1m per annum in each year from the year ending 31 March 2016 onwards.

South Africa defined benefit schemes

The Group previously operated two separate defined benefit schemes for the benefit of the Group's South African employees. These were the TAL Pension Fund and the Johnson Tiles Pension Fund. Both schemes were closed in 2007 and replaced by defined contribution schemes. Following the agreement of the allocation of surplus assets, a surplus of £1.2m (2009: £0.6m) has been recognised as an asset on the balance sheet as this amount is considered to be recoverable by the Group.

(b) IAS 19, 'Retirement benefit obligations'
The principal assumptions used to calculate the scheme liabilities of the Norcros Security Plan under IAS 19 are:

	At 30 September 2010	At 30 September 2009	At 31 March 2010
Discount rate	5.10%	5.70%	5.70%
Inflation rate	3.10%	3.10%	3.30%
Salary increases	3.35%	3.35%	3.55%

The amounts recognised in the balance sheet are determined as follows:

	At 30 September 2010 £m	At 30 September 2009 £m	At 31 March 2010 £m
Total market value of scheme assets	361.7	340.2	354.8
Present value of scheme liabilities	(385.8)	(347.5)	(362.9)
Pension deficit	(24.1)	(7.3)	(8.1)
Comprising:			
– Norcros Security Plan	(25.3)	(7.9)	(9.3)
– other	1.2	0.6	1.2
Pension deficit	(24.1)	(7.3)	(8.1)

11. Principal subsidiaries and associated company

The principal Group subsidiaries and associates are disclosed below. Transactions between subsidiaries and between the Parent Company and its subsidiaries are eliminated on consolidation.

United Kingdom

- Norcros Group (Holdings) Limited

Overseas

- Norcros SA Pty Limited* trading as Johnson Tiles Pty Limited, TAL and TAF (incorporated in South Africa)
- Johnson Tiles Pty Limited* (incorporated in Australia)
- Philkeram-Johnson SA* (associated company – 50%, incorporated in Greece**)

* The Group interest is owned by Group companies other than Norcros plc.
** This investment is accounted for as an associate as the Directors do not exert control over the financial and operating activities.

Notes

Unless otherwise stated, all companies are 100% owned and all UK companies are incorporated and operate in Great Britain and are registered in England and Wales. Overseas companies operate in the countries in which they are incorporated.

Only those subsidiary undertakings and associated companies whose results principally affect the financial statements of the Group are included above.

Statement of directors' responsibilities

The Directors confirm that its the best of their knowledge this condensed interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed interim financial information and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any changes in the related-party transactions disclosed in the last Annual Report.

The Directors of Norcros plc are listed in the Norcros plc Annual Report for the year ended 31 March 2010 and on the inside back cover of this Interim Report.

By order of the Board

J. Matthews
Group Chief Executive
18 November 2010

N. P. Kelsall
Group Chief Executive – Designate
18 November 2010

Directors, advisers and company information

Company directors
John Brown Chairman
Joe Matthews Group Chief Executive
Nick Kelsall Group Chief Executive – Designate
David Hamilton Director and Company Secretary
Les Tench Non-executive Director
Jamie Stevenson Non-executive Director
Vijay Aggarwal Non-executive Director

Company website
www.norcros.com

Listing details

Market	–	UK Listed
Reference	–	NXR
Index	–	FTSE SmallCap
Sector	–	Construction and materials

Registered office
Ladyfield House
Station Road
Wilmslow
Cheshire SK9 1BU
Tel: 01625 549010
Fax: 01625 549011

Registered number
3691883
Registered in England

Principal bankers
Lloyds TSB Bank plc
25 Gresham Street
London EC2V 7HN

Barclays Bank plc
7th Floor
1 Marsden Street
Manchester M2 1HW

Fortis Bank
8th Floor
Ship Canal House
98 King Street
Manchester M2 4WU

Solicitors
Addleshaw Goddard LLP
100 Barbirolli Square
Lower Mosley Street
Manchester M2 3AB

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

Registrars
Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

Stockbrokers
Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Financial PR
College Hill
The Registry
Royal Mint Court
London EC3N 4QN

Auditors
PricewaterhouseCoopers LLP
101 Barbirolli Square
Lower Mosley Street
Manchester M2 3PW

Financial calendar

Full Year Results	Announcement June 2011
Annual Report and Accounts	Available to shareholders June 2011
Annual General Meeting	July 2011

designed and produced by
the design portfolio marketing services.
www.design-portfolio.co.uk

Norcros plc
Ladyfield House
Station Road
Wilmslow
Cheshire SK9 1BU

www.norcros.com